

Repeal sales tax exemption for trade-ins valued over \$10,000

Description This proposal would limit the exclusion of trade-in value from retail sales and use tax to \$10,000 for motor vehicles, recreational vehicles, boats and other items.

Current Law When a consumer purchases tangible personal property, the measure of sales or use tax excludes the value of like-kind property traded in at the time of sale. Consequently, the trade-in value is deducted from the selling price that is subject to sales tax. (RCW 82.08.010(1) and 82.12.010(1))

Original Purpose and Current Analysis The trade-in exclusion was approved by voter initiative in 1984 to encourage purchases of new items, especially motor vehicles.

Trade-ins of motor vehicles average \$7,500, so limiting deductible trade-in values to \$10,000 benefits most households. The current unlimited deduction primarily benefits high-income purchasers with the lowest tax burdens in Washington. Setting a limit would reduce the regressivity of the current tax system.

Citizen Commission Recommendation The Citizen Commission has not reviewed the trade-in exclusion.

Revenue Impact This proposal has the following state impacts:

Fund	FY 2018	FY 2019	FY 2020	FY 2021
General Fund	\$43,342,000	\$47,514,000	\$47,358,000	\$46,773,000
Multimodal Tran	\$1,740,000	\$1,898,000	\$1,881,000	\$1,844,000
Performance Audit	\$134,000	\$150,000	\$152,000	\$154,000
Fiscal Year Total	\$45,216,000	\$49,562,000	\$49,391,000	\$48,771,000
Biennial Total		\$94,778,000		\$98,162,000

- *Estimates assume a July 1, 2017, effective date, representing 11 months of collections for FY 2018.*
- *Estimates reflect the November 2016 Economic and Revenue Forecast Council revenue forecast.*